Joint Committee on Taxation
July 28, 1987
JCX-9-87

TO INCREASE THE PUBLIC DEBT LIMIT
(Before the Committee on Ways and Means, July 28, 1987)

Present Law

The permanent limit on the amount of outstanding public debt is $2,111 billion. A temporary public debt limit of $2,320 billion was in effect through July 17, 1987. After the expiration of that temporary limit, the permanent limit reverted to $2,111 billion.

Proposed Legislation

A draft bill is attached which would extend the expired temporary debt limit of $2,320 billion from the date of enactment through August 6, 1987.

Current Situation of the Public Debt Limit

H.J.Res.324, which was deemed passed by the House after the conference report on the budget resolution for FY 1988 was approved by both houses, would increase the permanent public debt limit to $2,565.1 billion; this limit was specified as the appropriate limit through FY 1988 in the budget resolution. H.J.Res.324 presently is the pending order of business in the Senate. It is expected that an amendment to revise the Gramm-Rudman-Hollings procedure will be added to the resolution, but until the Senate can complete its deliberations, H.J.Res.324 cannot advance through the legislative process.

The Treasury Department may not incur new public debt or reissue maturing public debt until the present amount of outstanding public debt falls below the permanent limit or until Congress approves an increase in the limit which is high enough to allow reissuing maturing debt or incurring new debt.

Since the temporary limit expired on July 17, 1987, the Treasury Department discontinued sales of savings bonds. Payroll and contractual obligations are being paid from the operating cash balance. In addition, the Treasury Department had to redeem maturing bills on July 23 from its operating cash balance, which presently is about $20 billion. Additional weekly bills of $13.7 billion mature on Thursday, July 30, and $10.2 billion in notes mature on Friday, July 31, 1987. The cash balance today is not sufficient to redeem the maturing debt later this week. Failure to redeem the maturing debt would cause the United States to default on its obligations.

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